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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

JUN -3 2010

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IN THE MATTER OF THE APPLICATION  
OF UNS GAS, INC. FOR APPROVAL TO  
REVISE ITS DSM SURCHARGE  
BEGINNING JUNE 1, 2010

DOCKET NOS. G-04204A-06-0463  
G-04204A-06-0013  
G-04204A-05-0831

DECISION NO. 71717

ORDER

Open Meeting  
May 26 and 27, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNSG" or "the Company") is certificated to provide natural gas service as a public service corporation in the State of Arizona.

2. On April 16, 2009, UNSG filed a revised application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70011. The revised application included an increase of \$100,000 to UNSG's proposed Low-Income Weatherization Program pursuant to Decision No. 71623, filed April 14, 2010. The UNSG DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the adjustor is based on projected spending for the Company's DSM<sup>1</sup> programs. Funding for these programs is

<sup>1</sup> DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

collected based on the adjustor rate approved by the Commission. Under- or over-collections are then "trued-up" at the next adjustor rate reset, meaning that the negative or positive balances are taken into account when the new adjustor rate is set.

3. Decision No. 70011 established the DSM adjustor and set the adjustor rate to be applied on a per therm basis. Also, pursuant to Decision No. 70011, UNSG was to file an application by April 1st of each year for Commission approval to reset the adjustor rate, with the new rate to take effect on June 1st of each year. The Company is requesting an increase of \$0.000800 in the adjustor rate, from the current \$0.007600 per therm to \$0.008400 per therm. The increase is based on an under-collected balance from December 2009 and a projected 2010 budget for UNSG's DSM portfolio.

4. The current UNSG DSM portfolio includes the following Commission-approved programs: (1) the Low-Income Weatherization Program; (2) the Energy Smart Homes Program; (3) the Efficient Home Heating Program; and (4) the Commercial and Industrial ("C&I") Facilities Gas Efficiency Program.

5. The table below details UNSG's 2009 actual expenditures and proposed costs for 2010:

Program	2010 Budget	2009 Expenditures
<b>Residential Programs</b>		
Low-Income Weatherization	\$200,000	\$138,377
Energy Smart Homes	\$311,905	\$176,252
Efficient Home Heating	\$238,703	\$151,418
<b>Non-Residential Programs</b>		
C&I Facilities Gas Efficiency	\$212,180	\$100,411
<b>Programs Subtotal</b>	<b>\$962,788</b>	<b>\$566,458</b>
Measurement, Evaluation, & Research	\$0 <sup>2</sup>	\$114,202
Customer Care and Billing ("CC&B")	\$20,000	\$15,926
Database Development		
UNSG Baseline Study	\$127,718	\$5,107
Amount under-collected for 2009	\$102,721	n/a
<b>Total</b>	<b>\$1,213,227</b>	<b>\$701,693</b>

6. Staff has recommended that the DSM adjustor rate be reset to include the amount under-collected for 2009 costs and UNSG's proposed 2010 budget for programs. The Company

<sup>2</sup> Zero because measurement, evaluation, and research is already included in the individual program budgets.

has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNSG's semi-annual DSM progress report for July-December 2009, filed February 26, 2010, also indicates that the level of funding proposed by the Company for its existing programs is reasonable.

7. Typical monthly bill impacts for Residential customers are listed below:

Average monthly usage by Season	Therms	Current Total (\$0.0007600)	Monthly increase from Company proposal (\$0.000800)	Monthly total based on Company proposal (\$0.008400)
Summer	17	\$0.13	\$0.01	\$0.14
Winter	72	\$0.55	\$0.06	\$0.61

#### Summary of Staff Recommendations

- Staff has recommended that the UNSG DSM adjustor rate be set at a level of \$0.008400 per therm, beginning June 1, 2010.
- Staff has recommended that UNSG file, as a compliance item in this docket, an updated Rider R-2 Demand Side Management Surcharge tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.

#### CONCLUSIONS OF LAW

1. UNS Gas, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNS Gas, Inc. and over the subject matter of the Application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 11, 2010, concludes that it is in the public interest to approve the UNS Gas, Inc. Demand-Side Management Surcharge beginning June 1, 2010, as discussed herein.

#### ORDER

IT IS THEREFORE ORDERED that the UNS Gas, Inc. DSM adjustor rate be and is, set at \$0.008400 per kWh, beginning June 1, 2010.

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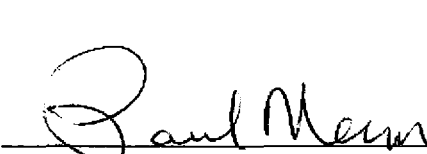
1 IT IS FURTHER ORDERED that UNS Gas, Inc. file, as a compliance item in this  
2 docket, an updated Rider R-2 Demand Side Management Surcharge tariff consistent with the  
3 Decision in this case within 15 days of the effective date of the Decision.

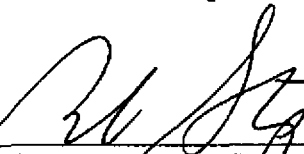
4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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9 CHAIRMAN


  
COMMISSIONER

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11   
12 COMMISSIONER

  
COMMISSIONER

EXCUSED  
COMMISSIONER  
Kennedy

14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
15 Executive Director of the Arizona Corporation Commission,  
16 have hereunto, set my hand and caused the official seal of  
this Commission to be affixed at the Capitol, in the City of  
Phoenix, this 3rd day of June, 2010.

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18 ERNEST G. JOHNSON  
19 EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

22 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR: UNS Gas, Inc.  
2 DOCKET NOS. G-04204A-06-0463, G-04204A-06-0013, and G-04204A-05-0831

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